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Dockets - 222

FEDERAL COMMUNICATIONS COMMISSION

GEN Doc. 90-314

WASHINGTON, D.C. 20554

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IN REPLY REFER TO:

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Honorable Thomas H. Andrews
Member, House of Representatives
136 Commercial Street
Portland, ME 04101

Dear Congressman Andrews:

This responds to your letter of September 28, 1993, addressing the 2 GHz Personal Communications Services (PCS) proceeding, GEN Docket No. 90-314. Your constituent, Mark H. Blake, Vice President of Community Service Communications, Inc., expresses support for small PCS service areas as a means of ensuring participation by small and rural telephone companies in providing PCS services when licenses are awarded by competitive bidding.

On September 23, 1993, the Commission adopted final rules to govern PCS. The Commission allocated 120 megahertz of spectrum for licensed PCS and adopted licensing areas based upon Basic Trading Areas (BTAs) and Major Trading Areas (MTAs); 60 megahertz of spectrum were allocated for BTAs and 60 megahertz for MTAs. The allocation for MTAs is composed of two 30 megahertz frequency blocks, while the allocation for BTAs is composed of one 20 megahertz frequency block and four 10 megahertz frequency blocks. MTAs and BTAs were designed by Rand McNally based on the natural flow of commerce. The Commission recognized the support for MSA/RSA service areas, which are smaller than MTAs and most BTAs, but concluded that using MSA/RSA service areas likely would result in unnecessary fragmentation of natural markets.

Consistent with the Omnibus Reconciliation Act, in a companion Notice of Proposed Rule Making, PP Docket No. (93-253), the Commission proposed to award PCS licenses by competitive bidding. The Commission also proposed licensing preferences in one 20 megahertz and one 10 megahertz BTA frequency block for rural telephone companies, small businesses, and businesses owned by minorities and women.

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Honorable Thomas H. Andrews

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The Commission's decisions addressing PCS are designed to foster competition among PCS providers and between PCS providers and cellular radio operators and to ensure expeditious provision of PCS in both urban and rural areas. I am enclosing the press releases for the dockets addressed above that more fully describe the Commission's actions.

Sincerely,

Bruce Franca

for Thomas P. Stanley
Chief Engineer

Enclosures

THOMAS H. ANDREWS

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Congress of the United States
House of Representatives

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COMMITTEE ON
ARMED SERVICES

COMMITTEE ON
MERCHANT MARINE
AND FISHERIES

COMMITTEE ON
SMALL BUSINESS

MAJORITY WHIP AT LARGE

September 28, 1993

Linda Townsend Solheim
Director, Legislative Affairs
Federal Communications Commission
Room 808
1919 M Street N.W.
Washington, DC 20554

Dear Linda Townsend Solheim:

Recently this office received the enclosed letter from Mark Blake of Community Service Communications.

Mark Blake is concerned about the FCC auctioning Personal Communications Systems (PCS). Would you kindly clarify the FCC's policy on auctioning PCS frequencies for this office.

Your attention to this matter is greatly appreciated. If you have any questions please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Betsy".

Betsy Saltonstall
Field Representative
District Office

enclosure



**Community
Service
Communications, Inc.**

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WINTHROP, MAINE 04364
TEL: (207) 377-9911
FAX: (207) 377-9969

September 13, 1993

The Honorable Thomas H. Andrews
U.S. House of Representatives
1530 Longworth House Office Building
Washington D.C. 20515

SEP 15 1993

Dear Congressman Andrews:

As a small telecommunications company located in the central part of Maine, we are deeply concerned about one of the provisions contained in the Omnibus Budget Reconciliation Act of 1993 and ask for your help. The new authority for the FCC to conduct competitive bid auctions for radio spectrum contained in the act could have serious consequences on all of us here in Maine.

At first blush, giving the FCC permission to auction radio spectrum makes good public policy. Auctions will create significant revenues to reduce the deficit as well as ensure that the spectrum will be put to its most economically efficient use.

The auction authority contains a clear congressional mandate to structure the rule-making for Personal Communications Systems (PCS) spectrum auctions in a way that will enable enterprises owned by small business, minorities, and women to participate effectively and independently in the auctions and the eventual provision of new wireless PCS services.

Unfortunately it now appears that contrary to the congressional mandate, large communications companies are attempting to change the rule-making into a PCS market that allows only very large companies to effectively bid for a few licenses.

This will occur if the FCC accepts the suggestions of these companies and looks to create PCS markets that are national or cover very large regions, such as Major Trading Areas (MTAs). From an administration standpoint, large areas can reduce the bureaucratic burden of conducting auctions but it will effectively block Maine companies from participating.

We only need look to the cellular telephone industry to see the advantages of using small market boundaries. Cellular services have grown beyond wildest expectations with a large number of small businesses and entrepreneurs participating. The large companies have participated and prospered as well.

Here in Maine we have operating cellular telephone franchises covering most of the state. In fact, the only telephone service available in some rural areas is cellular. These cellular licenses, at least on the wireline side, are held by small Maine business with some in partnership with larger communications companies.

Proponents of large PCS license areas have stated that they would sell to smaller companies those areas within their license boundaries that they don't want to serve. In other words, they will sell off the areas that they do not view as profitable and create private franchises for persons of their choosing on their terms and conditions. Other proponents have proposed "consortiums" of companies, including small and minority businesses, to pursue the same strategy in a more politically acceptable manner.

The final result is the same. National or large regional market boundaries will create PCS companies which will recover their auction costs by selling "franchises" for the undesirable pieces of their territory to smaller "partners" or others, subject to the terms and conditions set by the license holder.

The Congressional goal of participation in the auctions and provision of new PCS services by small and minority businesses can still be accomplished as well as preserve the independence of the small and minority entrepreneurs involved, by creating small market sizes such as cellular's MSA/RSA markets. Small markets can be more readily financed and built on a cost-efficient basis.

If an entrepreneur is effectively blocked from the auctions due to the size of an auction bid then he or she will have no choice other than to become a sharecropper beholden to one of the few PCS license companies.

The taxpayer will lose because auction revenues will be less than those generated from active bidding by many potential licensees for smaller markets. The consumer loses the diverse and creative input of truly independent small and minority business men and women. The public loses the opportunity to choose from more competitors. The 2 or 3 new PCS holding companies in each market will earn money from franchisees while keeping the lucrative markets for themselves. Large market boundaries just do not make good communications policy.

The Small Business Administration, the Department of Justice, and numerous state regulatory agencies and small businesses have filed comments with the FCC urging that they design PCS markets around the existing small MSA/RSA boundaries created for cellular service and allow at least 5 licensees for each market.

We ask that you give serious thought to the effect this rule making will have on small businesses like ours and Maine. Please let the FCC know your thoughts and concerns before they make a final decision this month. It could mean the difference between independent small and minority entrepreneurs effectively participating in the telecommunications future of our country, or a few big companies making all the rules.

We look forward to hearing from you.

Sincerely,



Mark H. Blake

Vice President, Finance/MIS